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*Das Gesetz der Güterconcentration in der individualistischen Rechts- und Wirtschaftsordnung.* By DR. STEPHEN WORMS. (Erster Halbband: Das Gesetz der Güterconcentration und seine Bedeutung für die Wirtschaftspolitik.) Jena: Gustav Fischer, 1901. 8vo, pp. xiv + 238.

THE first part of this book Dr. Worms devotes to a formulation and theoretic discussion of "das Gesetz der Güterconcentration." In the second part he shows the bearing of this law upon the socio-political activity of the community.

The author endeavors to discuss the problem of distribution from a new point of view, and also to add a greater significance to this problem than has ordinarily been accorded it in economic writings. The problem of distribution, the author says, has, as a rule, been approached from the standpoint of production. Not to speak of J. S. Mill and early English economists, as late writers as Marshall and Nicholson look upon the processes of distribution as substantially functioned by that of production.

But according to the author this settles only a part of the question. The problem of distribution does not only contain "the distribution of goods from the participation in production, viewed from the relation of the quantities of goods which flow to the individual economic man with regard to this participation" (p. 19), but embraces also the displacement of values that takes place under the individualistic régime of trade in the operation of exchanges.

The immediate, objective, actual operation of exchange is a transfer of goods between two economic individuals. Through the transfer to the possession of another these exchange goods enter into relations to another economic subject and receive thereby an individual meaning that corresponds to the subjective importance of the satisfaction of wants of the new owner and finds its expression in his valuation. *The transfer of goods through exchange is at the same time a change of value of the goods exchanged* (pp. 33, 34).

If the author's contention is true, then the distribution of goods is not only dependent upon the individual's participation in the production of these goods, but also on the varying subjective valuation of the traders.

This change of values which daily takes place without notice under our eyes is the key to the whole question of distribution through trade, apart from production, and of enormous importance to the economic relation of individuals and the displacement of this relation (p. 34).

In order to establish this thesis the author presupposes the theory of subjective valuation as exposed by Wieser and Böhm-Bawerk. Price is fixed by the subjective valuation of the final pair. The author's addition to the work of these predecessors is to show the logical effect of this subjective valuation in exchanges.

The method of investigation used by the author is the mathematical, or "exact" method. We will give one example of it and then state his final conclusions. The nature of the method excludes any possibility to follow closely its development. A and B have each the same amount of freely reproducible goods,  $x$  and  $y$ , of which the highest subjective value is the same to both; this subjective value decreasing in equal gradation. Before the exchange the relation is :

$$\begin{array}{ll} 1. & A \quad 2x, \text{ i. e., } 5 + 4 = 9 \\ & B \quad 2y, \text{ i. e., } 5 + 4 = 9 \end{array}$$

Both parties control the same quantities of use value. If A and B make the only possible exchange under the circumstances; that is, A exchanges one  $x$  for one  $y$ , the situation after the exchange is :

$$\begin{array}{ll} A & x + y, \text{ i. e., } 5 + 5 = 10 \\ B & y + x, \text{ i. e., } 5 + 5 = 10 \end{array}$$

The immediate economic provision for both sides has risen one value-unit. Both sides control the same use-value after as before the exchange; the absolute economic condition is improved on both sides, the relative condition of the interested parties is not changed inasmuch as  $10:10=9:9$ .

2. Suppose that B has  $3y$  while A has only  $2x$ , the highest subjective valuation being the same. Before the exchange the position is thus :

$$\begin{array}{ll} A & 2x, \text{ i. e., } 5 + 4 = 9 \\ B & 3y, \text{ i. e., } 5 + 4 + 3 = 12 \\ & A:B=9:12 \end{array}$$

If now A exchanges one  $x$  for one  $y$ , so is after the exchange the conditions of the parties according to our presupposed valuation :

$$\begin{array}{ll} A \text{ has } & x + y, \text{ i. e., } 5 + 5 = 10 \\ B \text{ has } & 2y + x, \text{ i. e., } 5 + 4 + 5 = 14 \\ & A:B=10:14 \end{array}$$

Reduced to a common denominator their relation before the exchange was  $126:168$ ; after it is  $120:168$ . From this the author argues that the *absolute* economic condition of both has improved, which indeed is the necessary presupposition for an exchange. But it is otherwise with their

relative position. A maintains to B a worse position than before the exchange, because the economic sacrifice of B, being to him a value of 3, was less than that of A, being 4, although the subjective valuation of the goods received was to each 5. By increasing the quantity of goods possessed by B this change of relative positions is more strikingly apparent.

By adding new figures to the elementary formula as needs arise, and changing the relative subjective valuations of the parties, the author arrives at the following conclusions which we give in full (pp. 149-154):

The trade in the individualistic régime (*individualistische Tauschverkehr*) has the following influence upon the relative economic condition of individuals; that is, upon the distribution of goods in an economic circle:

1. *Direct influence* of each concrete exchange upon the relative economic condition of both parties to the exchange (*Tauschcontrahenten*):

a. Through reciprocal exchanges for productive ends; that is, for the end of further economic operation: deterioration of the relative economic condition of the richer part to the poorer, and that, in the higher degree, the greater the difference is between the total possessions of the parties.

b. Through the exchange which is made by one of the parties for the purpose of immediate consumption. (α) When the party which exchanges for purpose of consumption is richer: the result is the deterioration of the relative economic condition of the richer side to the poorer, because consumption always is an economic loss of power; but a deterioration in a less degree the greater the possession of the richer is than that of the poorer party. (β) When the party which exchanges for purpose of consumption is poorer: deterioration of the relative economic condition of the poorer side to the richer, and that in greater degree the greater the difference of the total possession of the parties; that is, the smaller the possession of goods of the poorer side is in relation to the other side.

c. In the empirically rare case of a mutual exchange for purpose of immediate consumption: deterioration of the economic condition of the poorer party relative to the richer, and that the more the greater the difference is between the total possession of the parties.

2. The *indirect influence* of the total of the exchange operations of

one economic circle in a definite period of time upon the relative economic condition of the isolated members of it is as follows:

*a.* In freely reproducible goods and free competition on both sides: deterioration of the economic condition of each poorer individual of the circle in question relative to the richer one, and that in the higher degree the greater the difference is between the possession of goods of two economic subjects. When the factors of individual exchange-operations work without restraint, a continually growing deterioration of the relative economic condition of all the poorer to the favor of all the richer economic subjects gradually takes place through an objectively and subjectively unlimited competition from the individuals having most goods downward to those having least goods; and an absolutely and relatively stronger concentration (*Zusammenströmen*) of goods — value-quantities — takes place in the hands of the single individual the greater the quantities of goods in question are.

*b.* In monopoly goods: (*a*) Deterioration of the relative economic condition of the buyer of monopoly goods relative to the monopolist, no matter whether the individual monopolist is richer or poorer than the individual who belongs to the opposing group of effective competitors for monopoly goods — a concentration of goods in the hands of the monopolist increasing with the intensity of the monopoly business. (*β*) Influence of monopoly business upon the economic relations of monopolists to each other: the greater deterioration of the relative economic condition of the weaker monopolist to him who has greater exchange-power, and the more intensive concentration (*Zusammenströmen*) of price-goods in the hands of the stronger the greater the difference is between the monopoly power of the two monopolists in view.

*c.* Combined influence of free competition (*freies Tauschverkehres*) and monopoly business (*Monopolgüterverkehres*): a deterioration of the relative economic condition of the poorer non-monopolist against the richer monopolist, a deterioration which is increased through the growing difference between the total possessions of the two; and a relative rising and increasing concentration of goods in the hands of the monopolist and a lessened deterioration of the relative economic condition of a poorer monopolist to a richer non-monopolist on account of the monopoly profit.

*d.* The smaller the sum of economic goods is in respect to which an economic subject still finds himself within the limits of competition,

the greater is correspondingly the field of exchanges from which this individual is manifestly excluded compared with one possessing a greater sum, the worse is the economic condition of the first relative to the latter, the greater quantities of goods heap themselves in the possession of the one with greater exchange-power compared to the economically weaker subjects.

The final conclusion, consequently, is: through the law of economic exchanges and price-formation there will in the unrestrained individual economy take place a continual concentration of goods in two directions:

*a.* From smaller possession of goods to greater possession of goods, and that the more intensely the greater the concrete possession of goods is.

*b.* From the buyer of monopoly goods to the monopolist.

The concentration of goods in these two directions is a general economic phenomenon, an economic law; we call it the *law of the concentration of goods*.

It seems, indeed, remarkable that from so simple postulates such important conclusions can be drawn. To the English-speaking economist who is accustomed to look to the phenomena in the economic world for suggestions and inferences, this method of mathematical analysis does not seem entirely satisfactory. The conclusions must rest for their validity upon the absolute correctness of the premise. If the highest valuations of each of  $x$  and  $y$  to A and B is 5, is it necessary that the value of  $y + x$  must be to A 10? Or can I at all measure the value of this addition from the premise given? No new truth is contained in one member of an equation that is not contained in the other; that is, in the development of the equation I cannot get more out of it than I put into it in the beginning. Therefore, in using the mathematical method for the development and proof of my conclusions, I do nothing else than restate in new terms my fundamental presuppositions; that is, I take for granted what I was to prove. Even if the reader is willing to grant the conclusions of the author, he does not feel safe to do so upon the author's argumentation.

In the second part of the book, "Das Gesetz der Güterconcentration als Grundlage der Socialpolitik," the author proceeds to show the effect of this law of concentration. These are (pp. 166, 167) on the field of production, the universal destruction of small and middle production and the continually diminishing number of independent

producers. On the field of consumption the same process takes place: the disappearance of the economic independence of numerous groups of small possessors; the increasing and complete annihilation of the lowest property class (*Mindestbegüterten*); and finally the continual increase of distress. "They, who have no commodities to exchange, must sell their labor-power. Consequently they are no longer in a position each moment to develop their economic activity as they deem proper, they have lost their economic independence" (p. 164).

As attempts to ameliorate or to offset this law of concentration of goods the author mentions two policies or schools of thought: Socialism and what he terms, Socialpolitik. The endeavor of socialism, he says, is to break this law by changing the method of production from an individualistic to a co-operative basis. As the law of concentration works in the operations of exchange and not in production, the endeavor of the socialists will be futile, unless they abolish all exchanges. The author's criticism of the theoretic position of the socialists is very vigorous and clever. It is rather an improvement upon like attempts so common in all German economic writings, as he shifts the discussion, as shown, from the field of production and capital to that of exchange.

The other method of improvement, the socio-political, he defers to a later part, yet to appear. He only hints at its character as an attempt to check the concentration of goods only so far as it brings with it a danger to and annihilation of the economic independence of the individual and individualistic economy.

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*Philosophie des Geldes.* By GEORG SIMMEL. Leipzig: Duncker & Humblot, 1900. 8vo, pp. xvi+554.

Two discussions in Professor's Simmel's *Philosophy of Money* will draw the attention of the economist: his study of value, and of its measurement in terms of money. The treatment is not primarily economic, but philosophic, *i. e.*, the author analyzes the form of the economic object rather than its content. The starting point of the discussion lies in the contrast between the objective character and validity of value, and the subjective character of desire and the impulse from which it springs. There is no value where there is no valuation, but the immediate relation of the satisfaction of impulse and desire, or